

## SECTION XII--INTERPRETATIONS

### ACCOUNTING INTERPRETATION NO. 15

**Subject: Accounting for Grant Revenue**

GASB 33 establishes accounting and financial reporting standards for shared grant nonexchange revenues. In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. There are two classes of nonexchange transactions which relate to grants:

1. Government-Mandated Nonexchange Transactions
2. Voluntary Nonexchange Transactions

On these types of nonexchange transactions, revenues and expenditures should be recorded when all applicable grant eligibility requirements are met. For transactions in which the provider requires the recipient to use the resources in or beginning in the following period, resources provided before that period should be recognized as advances by the providers and deferred revenues by the recipients.

Federal and state grants are usually either nonreimbursable grants or expenditure-driven grants. Nonreimbursable grants are usually received up front and recorded as revenue at the time of receipt and not contingent on incurring an expenditure. Expenditure-driven grants are nonexchange transactions which require revenue to be recorded after the expenditures are incurred and are equal to the expenditures.

The following entry would be used to record the nonreimbursable type grants: (Bankhead Jones, PILT)

1.	Cash	xx	
	Revenue		xx

To record the revenue collected as it is receipted.

This entry is straightforward with the exception of **Impact Aid monies**. State law requires **Impact Aid dollars** to be receipted into a separate Impact Aid Fund. Money is transferred from the Impact Aid Fund to other funds at the discretion of the governing body. Revenue recognition occurs when money is deposited into the Impact Aid Fund. **Special Education Impact Aid dollars are to be receipted directly into the Special Education Fund.**

If Impact Aid dollars are involved, the following entries would be recorded:

1.	Impact Aid Fund - Cash	xx	
	Revenue		xx

To record the collection of **Impact Aid dollars**.

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2.	Impact Aid Fund - Transfer Out	xx	
	Cash		xx
	Other Fund - Cash	xx	
	Transfer In		xx

To record the transfer of cash from the **Impact Aid Fund** to other funds.

**Note: The Impact Aid Fund will be accounted for as a Special Revenue Fund under GASB 34.**

Expenditure driven grants should recognize revenue when the associated expenditure is incurred. For grants where the cash is received up-front the entries would be as follows:

1.	Cash	xx	
	Deferred Revenue		xx

To record the cash for a grant in which no expenditures have yet been incurred.

2.	Expenditure	xx	
	Cash		xx
	Deferred Revenue	xx	
	Revenue		xx

To record grant expenditure and to adjust the revenue to record that portion of deferred revenue which has been earned by incurring the expenditure.

Certain grant periods occur during the summer months causing a grant to fall into two school fiscal years. To properly record grants such as these a school should recognize revenues and expenditures for only that portion of the grant that was incurred through June 30. The remainder of the grant when received up-front will be recorded as a balance to the deferred revenue account.

Expenditure-driven grants that operate on a reimbursement basis should be recorded as follows:

1.	Expenditure	xx	
	Cash		xx
	Receivable	xx	
	Revenue		xx

To record grant expenditure and to record grant revenue and a receivable from the granting agency equal to the expenditures incurred.

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The preceding was based on the assumption that the grant expenditures occurred prior to June 30. Therefore, the revenue is also recognized and a receivable is established and will be reported at year end in situations where reimbursements are received in the subsequent fiscal year.

The schedule of federal financial assistance should be prepared to reflect the federal share of grant expenditures on the same basis of accounting as the financial statements, unless footnoted to the contrary.